

**From:** "Robert Kenny" <synergy@whidbey.com> on 02/23/2005 03:16:19 PM

**Subject:** Truth in Lending

We urge that you not change any regulations related to open-end or revolving credit lines and the Truth in Lending Act. It serves consumers well. Please resist pressure from the lending industry to weaken enforcement of the Act.

If the regulations are changed in any way, we urge you to implement stronger consumer protections:

- Requiring a "Schumer Box," which discloses abbreviated credit-card pricing terms on credit-card solicitations, on the final agreement after a credit card is issued. This way, you'd be able to see if you're actually being charged the same rates and fees as you thought
- Requiring a lender to issue a simplified table in the "change in terms" notice, showing pricing "before" and "after" the change
- Prohibited mandatory arbitration provisions. Through a backdoor method of getting around any degree of responsibility, credit cards have uniformly slipped in arbitration agreements. Borrowers all could wind up paying 30 percent credit-card rates if disclosure tactics are permitted to go unchallenged in court. It can cost \$500 to \$1,000 if you are forced to go to arbitration in a dispute. Who is going to pay that kind of money because of a disagreement over a \$50 credit-card charge? No one. Is that fair?

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## **How much 'truth' in lending? Fed launches review of credit-card, mortgage disclosure rules**

By Gail Liberman and Alan Lavine  
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PALM BEACH GARDENS, Fla. (MarketWatch) -- Credit-card alert! If lenders have their way, consumer attorneys warn, the rules on credit-card protections could change in their favor. So, too, could federal regulations on predatory mortgage lending, closed-end mortgage credit, home-equity credit lines and adjustable-rate mortgages.

What's at stake are some of our most popular consumer protections. Want to be able to compare credit-card interest rates or fees? Disclosures required under the Truth in Lending Act can help.

But for the first time in 23 years, the Federal Reserve Board is embarking on a complete review of "Regulation Z," which implements the Truth in Lending Act. So expect lenders to push hard to get regulations changed to their benefit.

The Fed seeks comment by March 28 on open-end or revolving credit lines. Initially, it wants to know what you think about the format of open-end credit disclosures, the content of the disclosures and other important protections.

Why must you pay attention?

Consumer attorneys say that lenders will take full advantage of this situation to convince the Fed to relax rules that have caused them to lose costly lawsuits. Meanwhile, even if changes in the Truth in Lending Act were to favor borrowers, they could mean nothing if consumers can't sue.

"Through a backdoor method of getting around any degree of responsibility, credit cards have uniformly slipped in arbitration agreements," said Barry L. Kramer, a Los Angeles consumer class-action attorney. Increasingly, he says, these agreements, prohibiting class-action lawsuits, are becoming accepted by federal courts. Borrowers all could wind up paying 30 percent credit-card rates if disclosure tactics are permitted to go unchallenged in court.

There are pros and cons to class-action lawsuits. Some say the lawyers make more than the plaintiffs. However, it can cost \$500 to \$1,000 if you are forced to go to arbitration in a dispute.

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The Federal Reserve Board, Kramer believes, could be most effective if it simply prohibited mandatory arbitration provisions.

Philadelphia consumer attorney Brian Mildenberg says consumers actually could be best off if nothing related to the Truth in Lending Act changes.

When borrowers are told they don't qualify for the best rate on a mortgage, they can turn to Truth in Lending rules. "Disclosures are designed to show the consumer the truth," he said. The problem arises when there's noncompliance.

"What you're seeing is an industry attempt to change the disclosure rules," he said. "The present argument is that it's too much paper. But they're perfectly fine."

Consider telling the Fed that you like the rules the way they are, he suggests.

Fortunately, some of the most important Truth in Lending rules will stay the same -- at least for now. The reason: Changing many basic rights would take an act of Congress. Among the

most popular, which involve credit cards, include:

- Limitation of your liability to \$50 if a credit card is lost or stolen
- Your right to assert a billing error, triggering the creditor's duty to investigate the allegation within prescribed time limits
- Your right to possibly avoid paying a charge if a merchant honoring the card fails to resolve a dispute about the quality of goods or services

Elizabeth Renuart, attorney for the National Consumer Law Center, Boston, says that the Fed's review is not necessarily a concession to the industry. "But with the industry being much more powerful and having more people commenting than consumers, they have a stronger presence with the Federal Reserve than consumers do." So it pays to act.

Renuart suggests that you campaign at least on these issues:

- Requiring a "Schumer Box," which discloses abbreviated credit-card pricing terms on credit-card solicitations, on the final agreement after a credit card is issued. This way, you'd be able to see if you're actually being charged the same rates and fees as you thought
- Requiring a lender to issue a simplified table in the "change in terms" notice, showing pricing "before" and "after" the change

You can send comment letters to Uncle Sam. E-mail comments, identified by Docket No. R-1217 in the subject line of your message to [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov). You also can fax your comments to (202) 452-3102 or snail mail them to Jennifer J. Johnson, secretary, Board of Governors of the Federal Reserve System, 20th Street, Constitutional Avenue, N.W., Washington D.C. 20551